

Oregon

EX PARTE OR LATE FILED

PUBLIC
UTILITY
COMMISSION

April 24, 1997

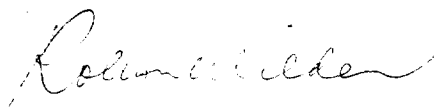
RECEIVED
APR 20 1997
FCC MAIL ROOM

Mr. William Caton
Acting Secretary
Federal Communications Commission
1919 M Street, NW - Room 222
Washington, DC 20554

RE: CC Docket Nos. 96-45 and 96-262

Enclosed are two originals and fifteen copies of letter sent to Reed Hundt. We wish to have this letter included in the above commission docket.

Thank you.



Robyn D. Wilder
Commission Assistant

John A. Kitzhaber
Governor



No. of Copies rec'd
List ABOVE

0716

550 Capitol St. NE
Salem, OR 97310-1380
(503) 378-2080

EX PARTE OR LATE FILED

Oregon

PUBLIC
UTILITY
COMMISSION

April 18, 1997

The Honorable Reed Hundt
Chairman
Federal Communications Commission
1919 M Street, NW
Washington, DC 20554

At the NARUC Winter Committee Meetings you outlined your current thoughts regarding Universal Service and Access Charge reform. You also encouraged state commissioners to comment on your ideas and offer alternative ideas to be considered.

We have read the March 27, 1997, letter to you from Chairman Julia L. Johnson of the Florida Public Service Commission. The letter outlines her ideas regarding Universal Service, Access Charge Reform, and Comprehensive Review of Separations. It also includes an implementation time line. We are generally in agreement with the proposal but would like to provide additional comments regarding the Subscriber Line Charge (SLC), interstate price cap and productivity review, and separations. Please note that our comments are not made on behalf of the Separations Joint Board or the NARUC Communications Committee.

Subscriber Line Charge:

We believe the FCC should not consider increasing the SLC as a means to decrease access charges. Mandated SLCs on Incumbent Local Exchange Carriers (ILECs) with no similar requirement on the competitive LECs (CLECs) places the ILEC at a competitive disadvantage. This disadvantage increases with the amount of the SLC.

More important is the fact that customers are primed to expect increased competition, a choice of providers and lower rates as a result of the 1996 Telecommunications Act (the Act). Increasing the SLC to provide lower access charges to Interexchange Carriers (IXCs) could result in overall increases for low volume customers. The IXCs could choose to pass through the savings by lowering toll rates for their high volume users and thus retain those lucrative accounts. Low volume customers would see no change in toll rates but an increase in unavoidable flat monthly charges.

John A. Kitzhaber
Governor



550 Capitol St. NE
Salem, OR 97310-1380
(503) 378-2080

Interstate Price Cap and Productivity Factor Review:

We agree with Commissioner Johnson that the states can be an invaluable resource to assist with this comprehensive review. States have extensive experience conducting rate cases and analyzing cost of capital, depreciation rates, and affiliated interest transactions.

If the FCC adopts a federal-state team approach, we would strongly recommend that this team approach also be used to review criteria and develop guidelines and a work plan for completion of the review. While we view this as an invaluable opportunity to share knowledge and expertise, we are concerned about allocation of scarce resources at the state level. Through a joint federal-state effort we can determine the most effective use of the resources available.

Separations:

We agree with Commissioner Johnson's recommendation to delay extensive access charge reform until completing the price cap structure review and comprehensive review of separations. While the Act directs the FCC to end implicit universal service subsidies by a date certain, it did not specifically require comprehensive access charge reform by the same date. The FCC should recognize that comprehensive review of both separations and access charges should be done in concert to preserve consistency. Sweeping changes to the access charge rules (Part 69) which are determined without regard to the separation rules (Part 36) will destroy that consistency. The flow of allocation of expenses and investments begins with Part 36 (Step 1) and continues with Part 69 (Step 2). Adopting changes to Step 2, access charges, before comprehensive review of separations, Step 1, is not in sync with the natural flow.

General comments:

In our opinion, each of the proxy models filed in the Universal Service proceeding has flaws that prevent its use as a part of the mechanism for defining and sizing universal service high cost support. Therefore, the FCC should not adopt a model at this time. State and federal regulators should continue to work together through the Joint Board process toward adoption of an acceptable model.

The FCC should maintain support for small and rural incumbent LECs during this transition period.

We believe that all substantive actions should be taken in a manner which will both promote competition and protect customers. To this end, the FCC should not look to institute sweeping changes to Universal Service and Access Charges on May 8, 1997. We are concerned that drastic changes to the industry implemented in a flashcut approach could result in significant pressure being put on state regulators to raise local rates.

Conclusion:

Thank you for asking for state input on these important issues. We support a pragmatic, incremental approach to assure fairness for all incumbents, competitors and customers. Our hope is that this newly formed federal and state relationship can continue mainly through the Universal Service and Separations Joint Boards to cooperatively implement the 1996 Telecommunications Act.



Roger Hamilton
Chairman



Joan H. Smith
Commissioner



Ron Eachus
Commissioner

- c: Commissioner James H. Quello
Commissioner Susan Ness
Commissioner Rachelle B. Chong
Bob Rowe, NARUC Communications Committee Chair
Russell Frisby, NARUC Communications Committee Vice-Chair
Cynthia VanLanduyt, OPUC